

November 30, 2008

Circular BM 1049

To:

All Local Commercial Banks  
operating in the Sultanate of Oman

After Compliments,

**Sub: Reverse Swap Facility / Scheme of Direct Lending in US Dollars**

We draw your attention to our Circular BM 1048 dated October 29, 2008 on the captioned subject. In order to enable the banks to fully benefit from the above funding facilities, it has been decided to revise the pricing of both reverse swap facility and direct lending in U.S. Dollars, as under:

a. Pricing of Reverse Swap Facility and Direct Lending Facility:

**i. Reverse Swap Facility:**

In partial modification of the above referred Circular, the benchmark rate for the USD will be the prevailing LIBOR rate for the corresponding tenor plus a mark up of 50 basis points, instead of a mark up of 100 basis points advised earlier. Further, the bench mark rate for OMR will be the USD LIBID rate of the corresponding tenor minus 50 basis points, instead of 100 basis points advised earlier. A calculation sheet is attached for banks' guidance.

**ii. Direct Lending in US Dollars:**

The loan will be priced at LIBOR for the tenor of one or three months, as the case may be, plus a mark up of 100 basis points, instead of 150 basis points advised earlier.

A few banks have sought clarifications on the treatment of direct lending facility for Asset-Liability Management purposes and the promissory note to be executed. Our clarifications are provided hereunder:

- b. For the limited purpose of reporting under the 'Maturities of Assets and Liabilities' (MAL), the loans availed under the facility may be plotted under 1-3 years time-band though the tenor of the facility is limited to three months with an option to rollover. However, for the purposes of reporting the transaction under Sensitivity of Assets and Liabilities (SAL), banks are required to report the same under respective time-bands on the basis of residual maturity.
- c. Central Bank of Oman prefers execution of promissory note for the direct lending facility for a period of five years and for an amount equivalent to 100 percent of the bank's net worth, in order to obviate operational difficulties. However, it is clarified that banks desirous of availing the facility by executing promissory notes transaction by transaction (both in terms of maturity as well as the amount availed), within the overall permissible limit, are permitted to avail the facility in such manner. In such cases, in order to comply with the provisions of the Banking Law, banks would be permitted to avail upto 75% of the amount indicated in the promissory note.

Best regards,

**Hamood Sangour Al-Zadjali**  
**The Executive President**



